



A Looming Crisis: Black Communities at Greatest Risk of COVID-19 Foreclosure

July 2020

Foreclosure prevention measures, data collection, and reporting must be prioritized to stave off preventable foreclosures

Communities of color in the United States, especially Black and Latinx communities, are particularly hard hit by the COVID-19 pandemic, from higher rates of [illness](#) and [death](#) to greater rates of [unemployment](#), [mortgage default](#) and [eviction](#) risk. These challenges have exacerbated the loss of wealth due to predatory lending, foreclosure, and the economic crisis of the Great Recession a decade ago.

Early data indicate that disproportionately high percentages of African American and Latinx homeowners have faced economic hardship and sought assistance from their mortgage companies. Consistent with these developments and even more concerning, the U.S. Census Bureau's Household Pulse Survey, as discussed in the next section, shows that among households who have fallen behind on their mortgage payments **Black and Latinx households are much less likely than white homeowners in the same position to access potentially home-saving relief.**

This disparity is greatest for Black families. Black communities have yet to recover from the rampant foreclosure of the Great Recession. As of the first quarter of 2020, the Black homeownership rate is 44% compared to 74% for whites. This is a slight increase from the last quarter where the rate sunk to 40.6% a level not seen since the 1960s. The looming foreclosure crisis threatens to decimate Black homeownership and destroy wealth for generations.

Homeowners of color, particularly Black and Latinx homeowners, will face disproportionately high foreclosure rates in the coming months and years unless substantial foreclosure prevention measures are adopted immediately. Targeted data collection and reporting requirements also must be instituted to provide transparency and accountability and to promote sustainable policy development.

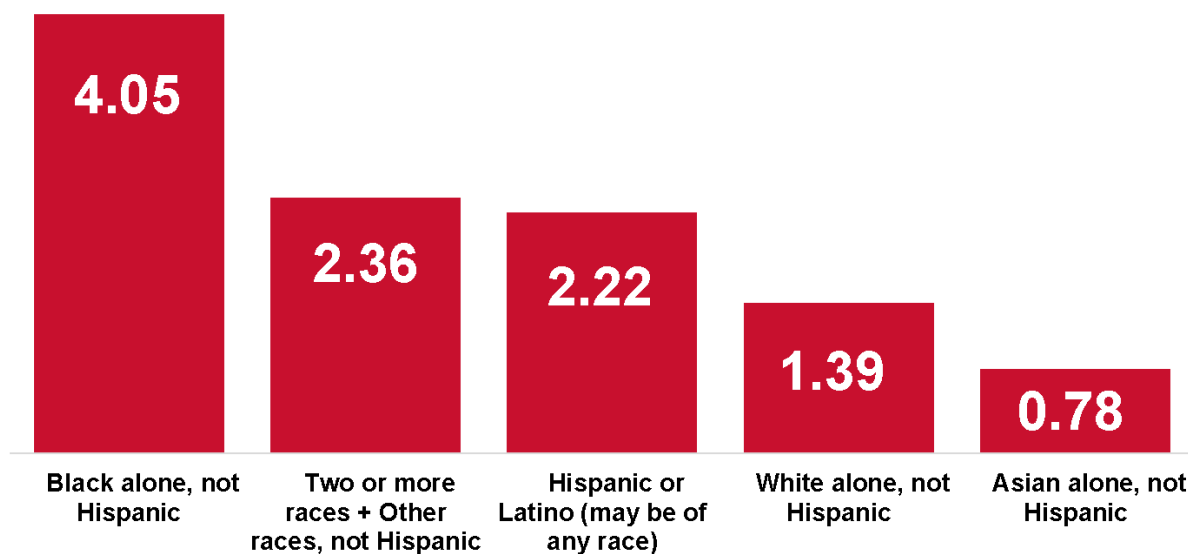
Our nation must not repeat the tragic consequences of the previous housing crisis that destabilized communities burdened by redlining, discrimination, and disinvestment.

The Data

Survey responses to the [U.S. Census Bureau's Household Pulse Survey \(Survey\)](#) indicate that **Black and Latinx borrowers, as well as borrowers who self-identified as "other" and borrowers who reported two or more races, are substantially less likely than white borrowers to have accessed plans to avoid foreclosure through deferral programs, such as forbearance, when they are unable to make their mortgage payments.** The most recent data from the Survey (conducted weekly) show that *all* homeowners are more likely to report that they missed a payment rather than arranged with their servicer to defer payments. The incidence of this problem is highest in most communities of color. In week 9 of the Survey, which ended on June 30, **about 17% of Black homeowners and 8% of Hispanic or Latino homeowners reported having missed their mortgage payment in May 2020 compared to about 4% of white homeowners.** When comparing the ratio of missed payments to deferred payments, as illustrated in the chart, **four times as many Black homeowners reported missing payments as compared to deferring mortgage payments.** For Hispanic or Latino homeowners, and homeowners who self-reported as "other" or who reported

two or more races, more than twice as many homeowners reported that they had missed payments rather than deferred. In contrast, only about **1.4 times as many white homeowners reported missing payments as compared to deferring mortgage payments**. In other words, among Black homeowners, for every borrower who has made arrangements with their servicer to defer payments, four borrowers report they are simply missing payments, rather than obtaining a forbearance.

Ratio of Non-Payment to Deferral Rates of Mortgage Payments by Race/Ethnicity (June 25 - 30, 2020)



Source: [U.S Census Bureau Household Pulse Survey](#)

In response to the pandemic, Congress, the federal housing agencies (FHA, VA, and USDA), the Government Sponsored Enterprises (Fannie Mae and Freddie Mac), and the private sector developed policies, including through the passage of the CARES Act, to assist homeowners unable to pay their mortgages due to COVID-19 hardships. Forbearance plans lessen the consequences of missed payments by providing a temporary reprieve. Forbearance also slows the foreclosure process to allow more time for borrowers to save their homes. After a forbearance, many borrowers will have an opportunity to resume regular payments or to obtain a lower payment if their financial hardship persists.

Borrowers who have obtained mortgage forbearance will have more options to repay their missed mortgage payments because they will have limited their period of delinquency and minimized additional fees. Moreover, they are much more likely to be in touch with their servicer and thus to obtain information about how to seek further assistance.

Next Steps and Recommendations

The CARES Act passed by Congress in March was an important first step in helping struggling homeowners. More action is needed by Congress and regulators to prevent a flood of preventable foreclosures and bankruptcies, and to promote fairness. NCLC housing attorneys recommend:

- **Data collection and reporting**
 - **The Consumer Financial Protection Bureau** should collect loan-level data and provide aggregate reporting to the public at no cost regarding market-wide mortgage performance, including demographic data, property location, and forbearance statistics, to better monitor developments and to identify disparate impacts. Data published by the private sector is helpful but incomplete and does not provide universal access to key information.
- **Dedicated data and policy analysis**
 - **The federal regulators and the Government Sponsored Enterprises (Fannie Mae, Freddie Mac)** should analyze demographic and locality data to understand the impact of housing policies on the lives of Black and Latinx homeowners and communities, and on low-income homeowners nationwide. They must use their expansive access to data to conduct and make public fair lending analyses of the state of the housing market in distressed communities. In-depth analysis is needed of how policies affect particular populations and localities, including immigrant borrowers and homeowners with limited English proficiency, as well as Black and Latinx communities. Policies must respond to data findings to ensure that hard-hit communities and homeowners can increase their access to sustainable homeownership. Regulators should use this information and other resources at their disposal to step up oversight of the mortgage market and to improve protections for homeowners and communities.
- **Targeted intervention**
 - **Congress** should fund targeted interventions into communities identified by the data analysis as likely to be the hardest hit by foreclosure. This includes providing resources and extra support, including legal services and housing counseling, to homeowners in these communities to ensure that they are able to efficiently access all available foreclosure prevention alternatives. Foreclosure prevention must include principal reduction and direct cash assistance programs to help cover past due payments. Mortgage servicers should partner with local nonprofits to reach out to struggling homeowners who have not yet sought help.
- **CARES Act Expansion**
 - **Congress** should expand CARES Act protections to prevent avoidable foreclosures and preserve neighborhoods. The protections also should apply to the private market and should include automatic forbearances for delinquent borrowers, automatic and affordable repayment options, a stay of any steps to foreclosure until after the homeowner has been offered all available loss mitigation options, and notice of borrower options in both English and for limited English proficient borrowers.

It is not too late to make needed changes to the federal COVID-19 relief programs. The federal agencies and many servicers have maintained a moratorium on foreclosures. With decisive action now, Congress and the regulators can avert another wave of foreclosures in Black communities and other communities of color. But, to avoid the failings of the past and help stabilize communities that have already faced decades of disinvestment and discrimination, action is needed now.

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